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Chairman: Mr. Ali ..... (Malaysia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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The meeting was called to order at 10.05 a.m.

Agenda item 132: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/C.5/62/L.2)

Draft resolution A/C.5/62/L.2: Scale of assessments for the apportionment of the expenses of the United Nations: requests under Article 19 of the Charter

1. *Draft resolution A/C.5/62/L.2 was adopted.*

Agenda item 125: Financial reports and audited financial statements, and reports of the Board of Auditors (A/61/5/Add.10, A/61/214/Add.2, A/61/350/Add.1; A/62/5/Add.5, A/62/120 and A/62/355)

2. **Mr. Levallois** (Chairman of the Audit Operations Committee of the Board of Auditors) introduced the reports of the Board of Auditors on the implementation of its recommendations relating to the biennium 2004-2005 (A/62/120), on the financial statements of the United Nations Office for Project Services (UNOPS) for the financial period ended 31 December 2005 (A/61/214/Add.2) and on the financial report of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the financial year ended 31 December 2006 (A/62/5/Add.5).

3. In accordance with the wishes of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the Board's report on the implementation of its recommendations was much shorter than the previous one. He hoped that the succinct presentation would make the report easier to read and would also spur the Administration to take action.

4. The number of recommendations made by the Board in 2004-2005 had increased by 28 per cent over the previous biennium. Despite the increase in number, the rate of implementation had also improved, while the percentage of recommendations remaining completely unimplemented had been reduced by over one half. Some reasons why the Board's recommendations had not been fully implemented were the lack of a follow-up mechanism to focus the attention of senior management on the steps necessary to ensure full implementation; the lack of sufficient inter-agency coordination in the implementation of recommendations that pertained to more than one organization; and the undertaking of medium-term projects in the areas of inter-agency coordination, information and communications technology, human resources management, procurement and treasury management.

5. The Board had also identified good practices in the implementation of its recommendations, including the identification and monitoring of a list of top priority audit issues, the validation by internal auditors of management's assessment of the status of implementation, and the identification of causes of recurring audit observations and development of action plans to address them.

6. Turning to the report on UNOPS, he pointed out that the report should have been submitted during the sixty-first session, since it dealt with the financial statements for the year ended 31 December 2005. The delay was in itself indicative of the difficulties being experienced by UNOPS, particularly with respect to accounting and to its financial position. As discussed in paragraphs 26 to 41 of the report, UNOPS faced significant risks owing to its status as a self-financing entity. As a result of its observations, the Board had given its opinion with one reservation and had highlighted several matters of concern.

7. The issues raised by the financial statements of UNHCR for the financial year ended 31 December 2006 were not new. Nevertheless, the Board had decided to submit its unqualified opinion emphasizing three matters of concern. The first two related to the inventory of non-expendable property and the auditing of implementing partners' expenditures. Substantial sums were involved, yet there had been little or no progress on management and audits. The third matter, which was being raised for the first time, related to accounting for unliquidated obligations. Donors were sensitive about the use of funds they contributed to UNHCR, and the Board had therefore given an unusual warning in order to prevent the errors that had been noted from leading to subsequent inaccuracies in the accounts.

8. **Mr. Childerley** (Chief of the Oversight Support Unit, Department of Management) introducing the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors on the United Nations Office for Project Services (A/61/214/Add.2), said that the information contained in the report would normally have been included in the report made to the Fifth Committee the previous year, but it had not been possible to do so since the Board of

Auditors report on UNOPS had not been available at the time.

9. The report summarized the many and significant measures being taken to ensure that UNOPS remained a productive going concern over the long term. In accordance with General Assembly resolution 52/512 B, the annex to the report showed the status, target date and the designation of the official responsible for implementation of each recommendation. UNOPS would update the annex shortly, and would be available to provide any further explanations and information that the Committee might require.

10. The Secretary-General and the Executive Head of UNOPS appreciated the manner in which the Board discharged its oversight function. They were confident that the commitment of UNOPS to the timely and thorough implementation of the recommendations would improve its management and ensure its long-term viability.

11. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related reports of the Advisory Committee on Administrative and Budgetary Questions (A/61/350/Add.1 and A/62/355), said that the Advisory Committee was deeply concerned at the gravity of the financial problems of UNOPS indicated by the Board of Auditors and noted that the report was unprecedented in terms of the scope of issues of qualification. While the Committee welcomed recent measures taken by UNOPS to address those problems, it shared the Board's concerns regarding its sustainability. Nevertheless, it was appropriate to allow UNOPS reasonable time to implement fully the Board's recommendations, as well as its own reforms. In the meantime, the Committee would remained seized of the matter.

12. Turning to the voluntary funds administered by UNHCR, he said that the gap between requirements and funds available to UNHCR had been a recurrent problem highlighted by both the Board and the Advisory Committee. Concerted efforts to reduce administrative costs, combined with exchange rate gains, had improved the financial position of UNHCR. However, the Advisory Committee shared the Board's concern regarding the ability of UNHCR to build on short-term remedies to secure a more permanent turnaround.

13. At the Advisory Committee's request, the Board had provided an update on the practice of retention on special leave with full pay of staff members who were without assignment following the expiration of their standard assignment. While the overall number of Professional staff in between assignments had decreased since 2003, the number of such staff had increased significantly between 2005 and 2006. In that connection, the Advisory Committee concurred with the Board's previous recommendation that UNHCR should continue to implement a strict policy for staff in between assignments with a view to providing every staff member with a full-time assignment in order to limit costs and recommended that the issue should be addressed as a matter of urgency.

14. He commended the Board for its efforts to streamline and improve the presentation of the report on the implementation of its recommendations. The Advisory Committee appreciated the expansion of the section providing statistical data to include a general analysis and overall observations and encouraged the Board to continue to refine its report along those lines. Lastly, the Advisory Committee had noted that both the United Nations Institute for Training and Research (UNITAR) and the United Nations Population Fund (UNFPA) were showing relatively low rates of implementation. It was particularly concerned that some of the recommendations that had not yet been fully implemented related to fraud prevention and procurement and contract management.

15. **Mr. Hussain** (Pakistan), speaking on behalf of the Group of 77 and China, commended the Board of Auditors and the ACABQ on their work and noted with satisfaction the increase in the number of recommendations made by the Board and their overall implementation rate as at 31 March 2007. The Group was nonetheless concerned about the high number of recommendations that were still under implementation or not being implemented. He urged the entities in question to take prompt and effective measures to implement the Board's recommendations, some of which dated back six or seven years.

16. The Group of 77 understood that the Board's report on the capital master plan would be introduced later, but wished to express its serious concern about the delay in implementing the plan, including a delay in establishing an advisory board to advise the Secretary-General on financial matters, which had led to the loss of one year and an estimated cost overrun of

some $150 million. The Secretary-General should take measures to avoid further delays and financial burdens on the Member States, while the Board of Auditors should continue auditing implementation of the capital master plan on an annual basis.

17. With respect to the report on UNHCR, he noted with concern the growing gap between the total funds available for its Annual Programme Fund and the budget approved by the Executive Committee. The Group of 77 fully supported the work of the High Commissioner and urged her to make greater efforts to raise voluntary contributions. It also urged UNHCR to ensure the full implementation of the Board of Auditors' recommendations.

18. The Group appreciated the Board's efforts to strike a balance between financial and performance audits and to provide stakeholders with sufficient information while also streamlining its reports. Such streamlining should not, however, be pursued at the expense of the quality of oversight functions.

19. **Ms. Mesquita** (Portugal), speaking on behalf of the European Union; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Albania; and, in addition, Armenia, Georgia, Liechtenstein, the Republic of Moldova and Ukraine, said that the European Union appreciated the improvements made in the presentation of reports of the Board of Auditors, and in particular the new format for reporting on the Secretariat's implementation of its recommendations. Given that conditions were favourable for implementing those recommendations, the Administrations of the entities in question should consider doing so.

20. The financial position of UNHCR had improved thanks to measures taken by management. Nevertheless, UNHCR should apply some of the Board's recommendations; in particular, it should increase the proportion of audit certificates and make greater efforts to draw up an accurate inventory. That would allow it to continue to improve its finances and adopt the new International Public Sector Accounting Standards (IPSAS) on time.

21. Turning to the report on UNOPS, the European Union was deeply concerned by the Board's reservation and by the concerns it had raised, which were indicative of irregularities and dysfunctions in management. The new management team had instituted internal audits and put its accounts and vouchers in order. It was also working to settle with UNDP the discrepancy of $10 million that had prompted the Board's reservation on the financial statements. The European Union encouraged UNOPS to continue the work it had begun and it hoped to be able to contribute language for the draft resolution to that end.

22. **Mr. Hillman** (United States of America) said that the recommendations of the Board of Auditors would improve the efficiency and effectiveness of the United Nations only if they were fully implemented by management. It was therefore heartening to see that, although the number of recommendations made by the Board had more than tripled over the past four bienniums, the rate of implementation as at 31 March 2007 was higher than it had been in May 2005. Despite that progress, the low implementation rate in certain areas was a cause for concern. Those areas included human resources management, treasury and investment account management, inter-agency services, and information and communications technology systems. Since the Secretary-General had entrusted the Management Committee with oversight of the timely and effective implementation of recommendations, his delegation wished to know how often the Committee had met during the 2007 calendar year.

23. The United Nations Development Programme (UNDP) should expedite the implementation of the Board's recommendations on internal oversight, only half of which had so far been implemented, since both internal and external oversight provided valuable assurance and monitoring to the Administrator of UNDP, the Executive Board and donors concerning the use of resources and the effectiveness of operations.

24. Similarly, his delegation was concerned that the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) had implemented only 26 per cent of the Board's recommendations for 2004-2005. He urged UNRWA to explain its low implementation rate to the Fifth Committee and hoped that all open recommendations would be addressed quickly.

25. Turning to the reports on UNOPS and UNHCR, he noted in particular the observation by the Advisory Committee that the Board's report on UNOPS for the biennium 2004-2005 had been unprecedented in terms of the scope of issues of qualification. The fact that the Advisory Committee shared the concerns of the Board

of Auditors regarding the sustainability of UNOPS and the risks posed to departments and offices involved with UNOPS-implemented projects merited the Fifth Committee's careful consideration.

26. Although the financial situation of UNHCR was less dire than that of UNOPS, he was concerned by the decrease of $24 million in voluntary contributions from 2005 to 2006 and the continued gap between expenditures and income. While UNHCR was to be commended for having reduced its expenditures by more than $40 million in 2006, his delegation shared the Board's view that its financial improvement would be unsustainable if it continued to rely on short-term remedies such as currency exchange gains. Moreover, UNHCR should urgently address the matter of the costs incurred by paying 88 staff members who were between assignments.

27. Finally, UNHCR should comply with minimum security standards and update its conflict of interest policies. The latter issue underscored the need to extend the jurisdiction of the Ethics Office throughout the United Nations system.

Agenda item 136: Report on the activities of the Office of Internal Oversight Services (A/62/281 (Part I), A/62/281 (Part I)/Add.1 and A/62/176)

28. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the report on the activities of the Office of Internal Oversight Services for the period from 1 July 2006 to 30 June 2007 (A/62/281 (Part I) and (Part I)/Add.1), said that, during the period covered by the report, the Office of Internal Oversight Services (OIOS) had recalibrated its internal processes to ensure that OIOS effectively assisted the Secretary-General in fulfilling his internal oversight responsibilities. The report highlighted three key areas aimed at strengthening the Office's internal mechanisms, namely focusing attention on areas of highest risk, monitoring recommendation implementation, and bolstering internal quality assurance mechanisms.

29. During the reporting period, OIOS had started conducting risk assessments that would serve as the basis for determining its workplan priorities for 2008. Risk-based work planning was in accordance with International Standards for the Professional Practice of Internal Auditing and best internal oversight practices. With limited resources in an expanding and diverse Organization, it made good business sense to focus oversight resources on those areas that best served the Organization's interests.

30. To streamline and improve the monitoring of recommendation implementation, OIOS had launched a single recommendation database known as Issue Track. The database had proven successful and would eventually be extended to the Office's client departments. The final phase of the development of Issue Track, which was slated for piloting in December 2008, would allow departments and offices to view their open recommendations online and provide a channel for an online dialogue with OIOS. Although clients could provide updates on recommendations at any point during the year, general recommendation status updates were currently provided twice a year, when OIOS solicited updates for its annual and semi-annual reports. OIOS hoped that such "live" access would result in quicker implementation of recommendations.

31. In an effort to ensure the quality of recommendations, each OIOS division had established internal quality assurance processes to guarantee consistent standards. With some external assistance, OIOS had assessed staff skills to ensure that training resources were focused where they were needed most and had set out a core curriculum emphasizing the key competencies of an oversight professional. The implementation of a comprehensive training plan for all staff would be a key focus area in the upcoming months.

32. In its resolution 61/245, the General Assembly had endorsed the recommendation of ACABQ that the internal management consulting function should be transferred from OIOS to the Department of Management, along with the tasks associated with the preparation for the programme performance report. The Office welcomed that decision, as it allowed it to focus purely on oversight and allowed the Inspection and Evaluation Division to fulfil the Office's monitoring mandate through a programme of in-depth, thematic and focused inspections and evaluations.

33. One major area that would be addressed in the upcoming months was the OIOS investigations function. A review of the Investigation Division had been completed in the summer of 2006 and the results would be presented to the Fifth Committee later in the year. The report of OIOS on the activities of the

Procurement Task Force for the 18-month period ended 30 June 2007 (A/62/272) had recently been issued. It was vital that the work of the Task Force should continue as a part of a comprehensive strategy for strengthening the investigations function.

34. As stated in its previous report (A/61/264 (Part I)), OIOS had not been able to fulfil a request from the General Assembly to report on the audit and investigative reviews of the tsunami relief operations conducted by the Secretariat, funds, programmes and specialized agencies, owing to a lack of consensus on the nature of internal reports. In addition, some United Nations entities had declined to share their audit reports with OIOS on the grounds that such reports were confidential and access was restricted to their management and governing bodies. Following the issuance of that report, the High-Level Committee on Management of the Chief Executives Board had begun discussions on the sharing of internal audit reports among United Nations entities and the underlying question of transparency. The Office had made its view clear to the High-Level Committee and other United Nations entities that, in the interest of transparency, the entire United Nations system should, as a minimum, adhere to the provisions of General Assembly resolution 59/272 relating to the availability of OIOS reports.

35. During the reporting period 30 June 2006 to 1 July 2007, OIOS had issued 268 reports including 1,792 recommendations, 960 of which were deemed critical and had identified a total of $27.8 million in recommended cost savings. Actual savings and recoveries amounted to $12.8 million. Those figures pertained to all entities for which OIOS had provided oversight coverage during the reporting period, while the findings in Part I of the current annual report applied to non-peacekeeping oversight activities only. The implementation rate had increased by 10 per cent in 2006 and 9 per cent in 2007. A breakdown of the figures and statistics was provided in the addendum to the report. The Office's oversight findings on peacekeeping activities would be reported to the General Assembly separately in Part II of the annual report during the resumed part of the sixty-second session.

36. The results in the current report had been classified into seven risk categories: strategy, governance, compliance, financial resources, operational, human resources and information resources. The only exceptions to those classifications were the General Assembly mandated coverage areas, namely the capital master plan and the United Nations Compensation Commission.

37. The OIOS findings demonstrated that management was not systematically taking responsibility for ensuring that the system of internal control was established and functioning effectively. In some cases, OIOS had been able to make the appropriate recommendation for preventive controls before any negative consequences had actually occurred while, in other cases, the Organization had already incurred a cost. In most instances, the costs — whether financial or reputational — could have been avoided, had management assumed responsibility for establishing safeguards to ensure the effectiveness and efficiency of its oversight programme.

38. An internal control framework provided standards against which organizations could systematically organize, structure and measure the effectiveness of their overall system of internal control. The adoption of a formal Organization-wide internal control network, along with adequate accountability mechanisms, was essential to guard against the inefficient, ineffective and unethical management of Member States' resources.

39. Turning to the report of OIOS on the audit of the United Nations Thessaloniki Centre for Public Service Professionalism (A/62/176), she said that, following separate requests by the Department of Economic and Social Affairs and the Greek Ministry of the Interior, Public Administration and Decentralization, OIOS had conducted an audit of the project entitled "Regional programme framework for Europe and the Commonwealth of Independent States: capacity-building and informative exchange", funded by the Government of Greece. The purpose of the audit was to ascertain the achievement of the project's objectives since 2003, the Department's compliance with the reporting requirements for the project and the economical and efficient use of project funds.

40. As the executing agency, the Department of Economic and Social Affairs was responsible for managing the project's funds and ensuring the implementation of its activities through planning and monitoring and by providing backstopping and technical support to the Centre.

41. From the project's inception in 1999 to 31 December 2005, the Government of Greece had contributed a total of $2.76 million to the project, against which the cumulative expenditure as at 31 December 2005 amounted to $2.5 million. Approximately 48 per cent of the $2.5 million had been spent during 2004 and 2005, the period covered by the current audit, mainly for the salaries of project personnel based in Greece.

42. The Office had concluded that the programme performance of the project was poor. Only one activity had been completed in 2004 and only three activities had been implemented in 2005. There were indications of a lack of commitment on the part of the Department of Economic and Social Affairs to a single workplan against which it would monitor the performance of the Centre. There were also indications of the inefficient use of project resources by the Department and, in one instance, the unnecessary recruitment of consultants. Despite repeated requests by the Greek Ministry of the Interior, Public Administration and Decentralization, the Department had not complied with the project's biannual progress reporting requirement during 2004 and 2005.

43. The Office had made four recommendations, which the Department had largely accepted. It had, moreover, indicated its intention to pursue the lessons learned and thus improve the management of its technical cooperation projects. In particular, it had indicated its intention to submit all reports in a timely manner; to complete performance appraisals for all project personnel; and to implement project evaluations on a regular basis. It was, however, disturbing that it had not accepted the recommendation calling for the establishment of accountability for its inadequate management.

44. The Department's refusal to be held accountable underscored the need for an internal control framework and related accountability mechanisms. The value of lessons learned was questionable when calls for accountability for poor programme performance resulting from inadequate management and the breakdown of internal controls were categorically dismissed.

45. **Mr. Childerley** (Chief of the Oversight Support Unit, Department of Management), introducing the note by the Secretary-General on the report on the activities of the Office of Internal Oversight Services for the period from 1 July 2006 to 20 June 2007 (A/62/281 (Part I)/Add.2), said that it provided more detailed information on a number of issues raised in the report of OIOS, including comments on the provision of funding for internal audit at the United Nations Compensation Commission and clarification of the Organization's response to some of the recommendations of the OIOS Procurement Task Force. In the note, the Secretary-General also reiterated his views on the use of the term "savings".

46. He emphasized the Secretariat's commitment to the full and timely implementation of OIOS recommendations and noted the positive influence of those recommendations on the efficiency and effectiveness of the Organization.

47. **Mr. Hussain** (Pakistan), speaking on behalf of the Group of 77 and China, said that the Group reiterated its support for the operational independence of OIOS and its provision of assistance to the Secretary-General in fulfilment of his internal oversight responsibilities. It noted the improvements of 10 and 9 per cent in the implementation rates of general and critical recommendations and the actual savings and recoveries of $12.8 million resulting from the Office's work, However, it also noted, with concern, that certain entities had consistently failed to provide information on their implementation of OIOS recommendations; it was important for all departments to cooperate fully with OIOS. The issues raised with respect to some recommendations in addendum 1 to the OIOS report (A/62/281 (Part 1)/Add.1) were extremely serious. It was to be hoped that the reports and recommendations submitted to programme managers would be fully implemented. The deficiencies in internal control and the exposure of the Organization to the risk of mismanagement and fraud in procurement uncovered in the 22 Procurement Task Force reports were a further source of concern. The Office should place those reports before the General Assembly expeditiously, together with information on the funding arrangements for the Task Force and the resources expended to date on procurement-related investigations.

48. A comprehensive discussion of the Office's funding mechanisms would not be possible until after it had submitted a fully risk-based workplan in 2008. The Group looked forward to the external assessment of the Office's human resources and noted its repeated emphasis of the urgent need to introduce an internal control policy, including risk management, in the

Secretariat; the installation of an internal control framework was indeed an essential element of accountability in the whole Organization. With regard to the Office's reform initiatives to improve its Investigation Division and Inspection and Evaluation Division, it was important for reports on external departmental reviews to be shared with the General Assembly. It was also important that OIOS should take account of equitable geographical distribution when recruiting staff. The Office's classification of its work into seven risk categories would certainly strengthen the Organization's internal controls.

49. The three open recommendations on the capital master plan described in paragraph 74 of the OIOS report should be fully implemented. The deficiencies of the internal controls and financial procedures in the United Nations Compensation Commission were worrying; the matters discussed by OIOS in paragraph 79 of the report should be fully addressed. The issues raised by OIOS in its report on the audit of the United Nations Thessaloniki Centre for Public Service Professionalism (A/62/176) should also be addressed as a matter of urgency.

50. **Ms. Mesquita** (Portugal), speaking on behalf of the European Union; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania and Montenegro; and, in addition, Armenia, Georgia, Moldova and Ukraine, expressed appreciation for the clarity of the annual report of OIOS and welcomed the adoption of a risk-based approach.

51. The European Union shared the Office's concerns regarding the need for strengthened internal processes and procedures to enhance the effectiveness of the Organization, and was therefore looking forward to receiving the reports on the enterprise risk management and internal control frameworks, risk-based management and the accountability framework. It urged OIOS and the Secretariat to continue to work closely and constructively with the Administration in order to ensure the effectiveness of their work. Cooperation between OIOS, the Joint Inspection Unit and the Board of Auditors was also important in order to avoid duplication of work and ensure mutual reinforcement.

52. The European Union was concerned about the decline in the implementation rate of OIOS recommendations and continued to believe that, unless reasons to the contrary were given, critical recommendations should be fully implemented. The Secretariat should provide further information about the reasons for its failure to implement recommendations and should explain why many critical recommendations from previous years had not been implemented.

53. Lastly, she expressed concern about the findings of the report on the audit of the activities of the Thessaloniki Centre for Public Service Professionalism (A/62/176). She hoped that the Department of Economic and Social Affairs would provide an adequate explanation for the degree of implementation of the relevant OIOS recommendations.

54. **Mr. Ng'ongolo** (United Republic of Tanzania) recalled that, as an intergovernmental organization, the United Nations was, by its very nature, a public body. As the "owners" of the Organization, Member States should exercise a level of governance akin to that found in the private sector in order to ensure effective and efficient management. The managerial malpractices identified by the Organization's oversight bodies were, to a large extent, the result of the failure of Member States to exercise their collective oversight responsibilities.

55. He was not surprised, therefore, to learn that OIOS intended to refer to the Secretary-General a purely administrative matter that fell within the purview of the General Assembly (see para. 11 of document A/62/281 (Part I)/Add.1). Since the General Assembly was clearly perceived to be incapable of assuring the governance of the Organization, he emphasized the need to strengthen the Assembly to ensure that it performed its oversight functions effectively.

56. It was difficult to understand why the United Nations did not yet have a formal and structured internal control framework that would provide Member States with reasonable assurances that financial resources were being handled effectively and that the Organization's objectives were being achieved. He urged the Secretary-General to expedite the implementation of the General Assembly resolutions calling for the development of a clearly defined accountability framework, a results-based management framework and an enterprise risk management system, and to ensure that the observations of OIOS were

followed up and that its recommendations were fully implemented.

57. **Mr. Taula** (New Zealand), speaking also on behalf of Australia and Canada, said that the effective performance by OIOS of its difficult role was a key feature of governance in the United Nations; further efforts were required to secure the necessary frank and trusting dialogue between the Office and the Administration. It was alarming to read in the preface to the OIOS report that the continuing lack of a formal and structured internal control framework that would provide assurance that financial resources were being handled effectively left the Organization susceptible to mismanagement and fraud. He asked what specific recommendations the Office had for addressing the deficiencies and how the Secretary-General intended to respond to the situation.

58. In addition to pursuing the many activities under way during what was a necessary period of professional development and refocusing, the Office must work with the Organization's management to develop and implement the enterprise-wide risk management framework, and the Committee must form a coherent view of what was expected of OIOS and what it required in order to deliver. The measures to enhance professionalism were appreciated, as was the presentation of findings within risk categories, which shed light on management issues and system deficiencies requiring attention.

59. **Mr. Rashkow** (United States of America) said that the work of OIOS continued to be of critical importance to the ongoing viability of the United Nations. He commended the Office for the improvements it had made to its annual report, in particular the presentation of its findings by risk area.

60. The United Nations did not yet have a formal and structured internal control framework to ensure that financial resources were being handled effectively and that the Organization's objectives were being met. That serious deficiency had left the Organization susceptible to mismanagement and fraud, as illustrated by various abuses and scandals that had come to light in recent years. Accordingly, with a view to fostering an environment conducive to the successful fulfilment of the Organization's mission while strengthening accountability and transparency, an internal control framework must be adopted as soon as possible. He therefore urged the Secretariat to complete and issue to Member States the reports on risk management and accountability requested by the General Assembly at previous sessions.

61. He welcomed the approval of the terms of reference of the Independent Audit Advisory Committee and looked forward to the election of its members and the start of its work. In particular, it would contribute significantly to safeguarding the operational independence of OIOS by, inter alia, ensuring that it had sufficient resources to perform its core functions free from any real or perceived influence by the bodies or officials it was intended to oversee. It would also help to ensure that OIOS had the flexibility to respond to emerging risks and changing priorities.

62. It was clear from the reports currently before the Committee that the activities of OIOS had been extensive. He commended the Office for having identified a total of $27.8 million in cost savings, even though actual savings and recoveries had amounted to only $12.8 million. Appropriate action must be taken to realize the remaining savings. The 1,792 OIOS recommendations were of little value to the Organization unless management took appropriate action to implement them. While the overall implementation rate of those recommendations within one year of their issuance had increased by 10 per cent, a number of recommendations set out in the addendum to the annual report had not been accepted by management or had not been implemented swiftly and adequately. He therefore enquired as to the steps taken by the Secretary-General to review, on a regular basis, action taken by the Secretariat to implement OIOS recommendations and to follow up those recommendations in a timely manner with the departments concerned. He would also be grateful for information on the implementation of recommendations classified as critical during the reporting period, and he urged OIOS to resume its practice of including such information in its annual reports.

63. He was pleased that the measures set out in General Assembly resolution 59/272 had significantly facilitated the dialogue between OIOS and Member States and agreed that that dialogue had served to strengthen the Organization. In order to promote even greater levels of transparency, the Secretary-General, as head of the Chief Executives Board, should help to facilitate the establishment of similar practices system-

wide and ensure that reports on internal oversight were shared with all United Nations bodies.

64. The Organization's failure to seek recovery of $589,000 associated with the procurement of substandard goods in violation of existing rules and regulations was unacceptable, as was the decision not to hold staff members responsible for such losses. Immediate steps must also be taken to recover funds from staff members and vendors who had allegedly helped Sanjaya Bahel with his fraudulent procurement scheme. Allowing such transgressions to occur with impunity sent the wrong message and did little to discourage those willing to undermine the work of the Organization in exchange for personal gain. In that connection, the work of the Procurement Task Force remained essential to identifying those who might be guilty of misconduct in order to restore confidence in the integrity of the procurement system. He was therefore concerned to see that the proposed programme budget for 2008-2009 did not provide adequate funding for the Task Force. He enquired as to the measures envisaged by the Secretary-General to address that issue.

65. Lastly, he asked the Under-Secretary-General to comment on her working relationship with senior management. He would be particularly interested to know how and how often she interacted with the Secretary-General on matters relating to the work of OIOS.

66. **Mr. Guerber** (Switzerland) said that the Office's output was impressive but that the rate of implementation of its recommendations remained unacceptably low. It was to be hoped that the updated version of the Issue Track database would remedy the problem, but if no progress was reported during the next 12-month period consideration would have to be given to ways of improving implementation discipline; in the meantime senior management must report on its ongoing efforts in that area. The report did not mention the Office's advisory role in supporting management; OIOS should in fact be making its experience and expertise available to management to reinforce the ongoing reform initiatives in such areas as the administration of justice, human resources management, and procurement. The Office's intention to base its workplan on comprehensive risk assessment from 2008 on was welcome; such a move might induce the Secretary-General to put in place other fundamental elements of effective governance such as enterprise risk management, an internal control framework, results-based management, and an accountability framework.

67. The additional resources made available to OIOS and the establishment of the Independent Audit Advisory Committee would further enhance its output, but even more resources would be needed in the short term. One of the Office's biggest problems was its lack of operational independence, especially in the area of internal audit, where its work was impeded by a complex funding structure which impaired its capacity to respond flexibly to the Organization's rapidly changing risk profile. His delegation looked forward to examining the options for consolidating the funding structure to be presented by the Secretariat. It had recently hosted a workshop on OIOS budgeting and funding which had generated some interesting ideas in that regard.

68. His delegation remained committed to the efforts to improve governance and oversight in the United Nations. To that end the OIOS audits and investigations must be conducted according to the highest professional standards, regardless of possible political implications. The Office's integrity must be above suspicion.

69. **Mr. Hoe** Yeen Teck (Singapore) emphasized the importance of fairness, transparency and accountability. Singapore had supported the establishment of OIOS in the hope that it would become the champion of accountability within the Organization, and it was precisely for that reason, and because the principle of accountability applied to the Office itself as well as to the entities it audited, that its own internal processes had to adhere to the highest standards.

70. In its previous annual report (A/61/264 (Part I)), OIOS had informed the General Assembly that it had started to plan a comprehensive management audit of the Department of Management. He wished to know why the corresponding report had not yet been issued and enquired whether there was any truth to the rumours that it had been "scuttled".

71. **Mr. Berti Oliva** (Cuba) said that his delegation regretted the late issuance of the documents on the item, in particular the note by the Secretary-General, for it contained information which had influenced the Cuban position on some points.

72. The Office of Internal Oversight Services should be the champion of compliance with the rules, regulations and practices of the General Assembly and other bodies, not least to prevent a recurrence of the difficulties experienced during the most recent session of the Committee for Programme and Coordination in connection with triennial reviews. His delegation endorsed the comments made by the representative of the United Republic of Tanzania on paragraph 11 of the OIOS report. It was most anxious to find a solution to the problem of the implementation of OIOS recommendations which were justly challenged by the Administration. It shared, in particular, the Administration's concern, evident in paragraph 12 of the note by the Secretary-General, about the determination of the amounts of recommended and actual cost savings and recoveries. Clarification of the differences of approach would be welcome. His delegation deplored the continual use of external consultants to examine the Office's work and the fact that their recommendations were often presented as already under implementation without ever being discussed by the Member States, on the grounds that they were purely internal matters.

73. He would like to know when the proposals for strengthening the OIOS investigations function mentioned in the Under-Secretary-General's introductory statement would be published and whether they would address the rumour regarding the creation of an independent investigation office separate from OIOS. He would also welcome information on arrangements for the referral of cases investigated by the Office to national authorities and for the investigation of cases of misconduct within the Office itself, as well as on the persons or bodies authorized to request specific investigations.

74. **Mr. Kovalenko** (Russian Federation) said that the report of OIOS on the activities of the Procurement Task Force (A/62/272) should also have been introduced under agenda item 136, for it contained much useful information on the Office's work. He requested that the formal part of the Committee's consideration of the item should not be concluded at the current meeting and that that report should be introduced.

75. His delegation attached great importance to the improvement of the Office's work and the fulfilment of the mandate assigned to it by the Member States. It took note of the further steps to enhance the Office's procedures described in the report, in particular the changes to the investigation guidelines and the introduction of standard procedures for the investigation of managers, an important element in the functioning of the Organization. All such questions, together with questions of cooperation with national law enforcement agencies to investigate possible criminal conduct by staff members, must be presented in detail to the General Assembly in the form of a report of the Secretary-General. No serious discussion of or decisions on a risk-based workplan or changes in the Office's financing could take place before the General Assembly considered proposals for the creation of a transparent and reliable system of internal oversight.

76. It was essential for the "critical" OIOS recommendations to be implemented. However, despite some improvement in the implementation rate, the number of recommendations which had not been implemented one year after their proposal remained very high, either because the departments concerned or their managers did not agree with the recommendations or because they had failed to take prompt action on them. With regard to the case of improper procurement described in paragraph 7 of addendum 1 to the OIOS report, paragraph 9 of the note by the Secretary-General indicated that the official in question was no longer a staff member of the United Nations; that consideration should not have prevented his prosecution. His delegation would welcome clarification of the matter, including an indication of the action taken against the company involved. It would also like an explanation of the reasons why the case described in paragraph 9 of addendum 1 had not been referred to the appropriate law enforcement agencies.

77. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), responding to the question raised by the representative of Singapore, said that, while the General Assembly had not called specifically for a management audit of the Department of Management, she herself had decided to conduct one following an assessment of the relevant risks. Several separate audits on various aspects of the work of the Department of Management had been initiated; once they were finalized, the corresponding reports would be made available to Member States and posted on the Office's website. A comprehensive report on the audit would be submitted to the Assembly at its sixty-third

session — rumours that it had been "scuttled" were completely baseless.

78. Referring to the remarks made by the representative of Cuba, she said that, following the comprehensive review of governance and oversight within the United Nations, the General Assembly had decided that the investigations function should remain within OIOS. She might, however, submit some proposals on that issue to the Fifth Committee in the context of the report on the investigations function, which would be issued in due course.

79. The Chairman said that the request made by the representative of the Russian Federation regarding the continuation of the debate on agenda item 136 would be considered by the Bureau.

The meeting rose at 12.15 p.m.